

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Court of Appeal, Fourth Circuit
State of Louisiana
New Orleans, Louisiana

December 6, 2000



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
New Orleans, Louisiana

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

December 6, 2000

**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA**

Special Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 2000

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 27, 2000

Independent Auditor's Report
on the Financial Statements

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Court of Appeal, Fourth Circuit, a court within Louisiana state government, as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of management of the Court of Appeal, Fourth Circuit. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-B to the financial statements, the accompanying special purpose financial statements present only the funds of the Court of Appeal, Fourth Circuit. As such, they present the appropriated and non-appropriated activity of the court that are part of the accounts and fund structure of the State of Louisiana. The General Appropriation Fund reflects appropriated activity of the court that is part of the General Fund of the State of Louisiana. The non-appropriated fund is an individual fund of the State of Louisiana not subject to budgetary control. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting, the purpose of which is to reflect compliance with the annual appropriation act for the appropriated fund and the financial position of the non-appropriated fund. These procedures differ from generally accepted accounting principles as described in the notes to the financial statements. Accordingly, the accompanying special purpose financial statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

LEGISLATIVE AUDITOR


COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Audit Report, June 30, 2000

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the balances within the appropriated and non-appropriated funds of the Court of Appeal, Fourth Circuit at June 30, 2000, and the transactions of such funds for the year then ended, on the basis of accounting described in note 1-D.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2000, on our consideration of the Court of Appeal, Fourth Circuit's internal control over financial reporting and our tests of compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Court of Appeal, Fourth Circuit and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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Statement A**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS****Balance Sheet (Legal Basis), June 30, 2000**

	<u>APPROPRIATED FUND - GENERAL APPROPRIATION</u>	<u>NON- APPROPRIATED FUND - FEE ACCOUNT</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
ASSETS			
Cash and cash equivalents (note 1-E)	\$8,609	\$1,463,363	\$1,471,972
Receivables - filing fees		74,899	74,899
Interfund receivable	<u>69,655</u>		<u>69,655</u>
TOTAL ASSETS	<u><u>\$78,264</u></u>	<u><u>\$1,538,262</u></u>	<u><u>\$1,616,526</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$69,655	\$1,152	\$70,807
Payroll deductions payable	8,609		8,609
Interfund payables	<u>69,655</u>	<u>69,655</u>	<u>69,655</u>
Total Liabilities	<u>78,264</u>	<u>70,807</u>	<u>149,071</u>
Fund Equity - fund balance - reserved (note 6)	<u>NONE</u>	<u>1,467,455</u>	<u>1,467,455</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$78,264</u></u>	<u><u>\$1,538,262</u></u>	<u><u>\$1,616,526</u></u>

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
ALL APPROPRIATED AND NON-APPROPRIATED FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2000**

	APPROPRIATED FUND - GENERAL APPROPRIATION	NON- APPROPRIATED FUND - FEE ACCOUNT	TOTAL (MEMORANDUM ONLY)
REVENUES			
Filing fees		\$175,072	\$175,072
Use of money and property - interest earnings	\$6,729	73,332	80,061
Total revenues	<u>6,729</u>	<u>248,404</u>	<u>255,133</u>
EXPENDITURES			
Appropriated expenditures:			
Personal services	3,333,043	30,055	3,363,098
Travel and conventions	79,286	3,280	82,566
Operating supplies and services	913,622	807	914,429
Capital outlay	160,294		160,294
Association dues	26,580	2,402	28,982
Non-appropriated expenditures - Judges'			
Supplemental Compensation Fund		21,939	21,939
Total expenditures	<u>4,512,825</u>	<u>58,483</u>	<u>4,571,308</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(4,506,096)</u>	<u>189,921</u>	<u>(4,316,175)</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfers in	194,163		194,163
Operating transfers out		(194,163)	(194,163)
Transfers from Supreme Court	4,311,933		4,311,933
Total other financing sources (uses)	<u>4,506,096</u>	<u>(194,163)</u>	<u>4,311,933</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	NONE	(4,242)	(4,242)
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>1,471,697</u>	<u>1,471,697</u>
FUND BALANCES AT END OF YEAR	<u>NONE</u>	<u>\$1,467,455</u>	<u>\$1,467,455</u>

The accompanying notes are an integral part of this statement.

**COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2000

INTRODUCTION

The Court of Appeal, Fourth Circuit is a part of the State of Louisiana reporting entity, within the judicial branch of government. The court is provided for in Article V, Sections 8 through 13 of the Louisiana Constitution of 1974 and Sections 311 through 392 of Title 13 of the Louisiana Revised Statutes of 1950. The court's operations are funded through an annual lapsing appropriation made by the Louisiana Legislature and from self-generated revenues authorized by Louisiana Revised Statute (R.S.) 13:352. In addition to the fees mandated by R.S. 13:352 relative to appeals, applications for writs, motions filed on unlodged appeals and answers to appeals, the court, in compliance with Act 63 of the 1985 Session of the Louisiana Legislature and in conformity with the Judges' Supplemental Compensation Fund, charges an additional fee of \$16. The total amount collected in connection with the Judges' Supplemental Compensation Fund is remitted to the Judicial Administrator's Office of the Supreme Court of Louisiana.

The Court of Appeal, Fourth Circuit has appellate jurisdiction as authorized under Article V, Section 5 of the Louisiana Constitution, which encompasses the parishes of Orleans, St. Bernard, and Plaquemines. The Court of Appeal, Fourth Circuit has supervisory jurisdiction, subject to the general supervisory jurisdiction of the Supreme Court of Louisiana, over all lower courts in all cases in which an appeal would extend to the court of appeal. The Fourth Circuit is domiciled in New Orleans, Louisiana, and has 12 judges and 65 other employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. However, the accompanying financial statements have been prepared on a legal basis, which differs from generally accepted accounting principles as explained in the following notes.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The court is considered within the State of Louisiana reporting entity because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the state has control and exercises authority over budget matters; (2) state appropriations provide the largest percentage of total revenues; and (3) the court primarily serves state residents. The accompanying financial statements present information only as to the transactions of the court.

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The accompanying financial statements represent activity of the court within the judicial branch of state government and, therefore, are a part of the fund and account group structure of the State of Louisiana and its general purpose financial statements. Annually, the State of Louisiana issues general purpose financial statements, which are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The Court of Appeal, Fourth Circuit uses fund accounting, along appropriation lines, to reflect its compliance with provisions of the annual appropriation act and to reflect the financial position and results of operations of its non-appropriated funds. This differs from the fund accounting of generally accepted accounting principles where the intent is to measure the financial position and results of operations of the governmental reporting entity as a whole. Therefore, the funds within the accompanying financial statements have been divided between appropriated and non-appropriated funds and not by the conventional fund types of generally accepted accounting principles.

The funds do not include any noncurrent assets or liabilities. Noncurrent assets, general fixed assets, and long-term liabilities are reflected in the State of Louisiana's general purpose financial statements.

The funds presented in the special purpose financial statements are described as follows:

General Appropriation Fund

The General Appropriation Fund provides for the general administrative expenditures of the court.

Non-Appropriated Fund - Fee Account

The Fee Account is used to account for filing fees and other revenues received by the court as provided by R.S. 13:352. Expenditures incurred in excess of the amount appropriated by the legislature (General Appropriation Fund) are funded from this account.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The funds in the accompanying financial statements measure the resources provided by the legislature to fund current-year expenditures and the use of those resources by the court. This differs from generally accepted accounting principles in which the measurement focus would be to measure the flow of current resources.

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements, regardless of the measurement focus applied. The accompanying financial statements reflect revenues and expenditures in accordance with applicable statutory provisions and regulations of the Judicial Budgetary Control Board. These legal requirements differ from generally accepted accounting principles as follows:

1. Revenues are recognized to the extent that they have been appropriated and not necessarily when measurable and available.
2. Expenditures are recognized to the extent that appropriation authority has been extended to the court and not necessarily when the fund liability has been incurred.

Under the foregoing legal provisions, the court uses the following practices in recognizing revenues and expenditures:

Revenues

Self-generated revenues including interest income on demand deposits are recorded when earned.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Furthermore, any expenditure of a long-term nature for which funds have not been appropriated during the current year is not recognized in the accompanying financial statements.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) in the year the court is authorized to receive or make the transfers. In addition, transfers from the Supreme Court are included on the financial statements as other financing sources. The transfer from the Supreme Court is the portion of the Court of Appeal, Fourth Circuit's state General Fund appropriation, which is recognized in the amount appropriated, to the extent withdrawn from the state treasury.

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

Petty cash	\$100
Cash in demand accounts	21,205
Cash in interest-bearing demand deposit	<u>1,450,667</u>
Total	<u><u>\$1,471,972</u></u>

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the court in a holding or custodial bank that is mutually acceptable to both parties. The court has deposit balances (collected bank balances) of \$1,595,711 at June 30, 2000, for which the court has control. These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Risk Category 1) and \$1,495,711 collateralized with securities held by the pledging institution's trust department or agent in the court's name (GASB Risk Category 2).

F. GENERAL FIXED ASSETS

At the present time, the court maintains records only on its movable properties and library books and does not account for land, buildings, and improvements used by the court. At June 30, 2000, the court has stewardship responsibility for \$2,142,187 in governmental general fixed assets, valued at historical cost at the time of acquisition. The general fixed assets are not reflected within the accompanying special purpose financial statements. A summary of changes in general fixed assets follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Movable property	\$1,076,088	\$75,347		\$1,151,435
Library books	<u>910,667</u>	<u>80,085</u>		<u>990,752</u>
Total	<u><u>\$1,986,755</u></u>	<u><u>\$155,432</u></u>	<u><u>NONE</u></u>	<u><u>\$2,142,187</u></u>

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

G. LONG-TERM OBLIGATIONS

The court is by statute not allowed to incur bonded indebtedness and, therefore, no recognition within the accompanying financial statements is necessary. Furthermore, any long-term obligations of the court arising from lease commitments, judgments, compensated absences, or from any other source are not recognized in the accompanying special purpose financial statements.

H. BUDGET PRACTICES

The general appropriation made for the operations of the court is an annual lapsing appropriation. Amounts not expended or encumbered should be returned to the state General Fund on or before September 1 each year.

The court has no encumbrances outstanding at June 30, 2000. The accompanying financial statements do not present a budgetary comparison because the appropriated fund is budgeted in lump sum and the non-appropriated fund is not subject to budgetary control. As provided by Act 537 of 1999, the Judicial Budgetary Control approved an original appropriation of \$4,311,933. The appropriation act also appropriates to the court any interest that it earns. There were no budget amendments.

I. JUDGES' SALARIES

The salaries of the judges are paid directly by the Supreme Court of Louisiana with warrants drawn on the state treasury and are not included in the expenditures of the accompanying financial statements.

J. LEAVE BENEFITS

Law clerks and secretaries employed by a particular judge are employees of that judge. As such, they are subject to the guidelines set forth by that particular judge. The clerk of court and central staff director are subject to the guidelines of the chief judge.

Employees of the Clerk of Court's office and central staff are allowed 12 to 24 vacation days and 12 to 24 sick days each year depending on length of service. Vacation days may accrue to the maximum number of days earned in the current year. Sick days may accrue to twice the maximum number of days earned for the current year. There is also *a major medical leave policy, which allows a maximum six-week disability period after one year of employment with documentation of the medical condition.*

Upon termination of employment, all unused annual and sick leave is forfeited. There is no liability for unused leave payable at June 30, 2000.

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

K. TOTAL COLUMNS ON STATEMENTS

The total columns on the statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations. Neither is such data comparable to a consolidation.

2. PENSION PLANS

Substantially all employees of the court are members of two statewide, public employee retirement systems (cost-sharing, multiple-employer plans). The clerk of court, deputy clerk of court, and their secretaries are members of the Louisiana Clerks Retirement and Relief Fund (LCRRF). Substantially all other employees and the judges of the Court of Appeal, Fourth Circuit are members of the Louisiana State Employees Retirement System (LASERS). Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 10 years of service. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Louisiana Clerks Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B1, Baton Rouge, Louisiana 70816, or by calling (225) 293-1162 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

The contribution requirements of plan members and the court are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution, as set forth in R.S. 11:102. Employees contribute 8.25% (LCRRF) and 7.5% (LASERS). The state is required to contribute 10% to the LCRRF and 12.3% of covered salaries to LASERS. Contributions to the systems are funded through employee contributions and employer contributions. The court's employer contribution is funded by the State of Louisiana through annual appropriations to the court. The court's employer contributions to LCRRF for the years ended June 30, 2000, 1999, and 1998, were \$38,043, \$34,840, and \$31,827, respectively, and to LASERS for the years ended June 30, 2000, 1999, and 1998, were \$276,086, \$250,929, and \$245,511, respectively, equal to the required contribution for each year for each retirement system.

**3. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The court provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the court's employees become eligible for these benefits if they reach normal retirement age while working for the court. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and by the court. For the year ended June 30, 2000,

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

the court recognized the cost of providing these benefits (court's portion of premiums) as an expenditure when paid during the year, which totaled \$95,522, of which \$1,360 represented the court's cost of providing retiree health care and life insurance benefits.

**4. JUDGMENTS, CLAIMS, AND
SIMILAR CONTINGENCIES**

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

5. LEASE AND RENTAL OBLIGATIONS

Rental expenditures for the fiscal year ended June 30, 2000, totaled \$418,206. This is composed of office space rental for an operating lease with a monthly payment of \$33,580, which is cancelable at any time and which has accrued escalations provided for in the rental agreement, and a month-to-month rental of \$350 per month.

6. RESERVED FOR CONTINUING OPERATIONS

As shown on Statement A, the Non-Appropriated Fund - Fee Account has a reserve for continuing operations totaling \$1,467,455. These funds may be retained and used to defray the expenditures of the court as prescribed by R.S. 13:352.

7. DEFERRED COMPENSATION PLAN

Certain employees of the court participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, P.O. Box 94397, Baton Rouge, Louisiana, 70804-9397.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 27, 2000

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Special Purpose Financial Statements
Performed in Accordance With Government Auditing Standards

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the special purpose (legal basis) financial statements of the Court of Appeal, Fourth Circuit, a court within Louisiana state government, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Court of Appeal, Fourth Circuit's special purpose statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein *under Government Auditing Standards*.

Internal Control Over Financial Reporting

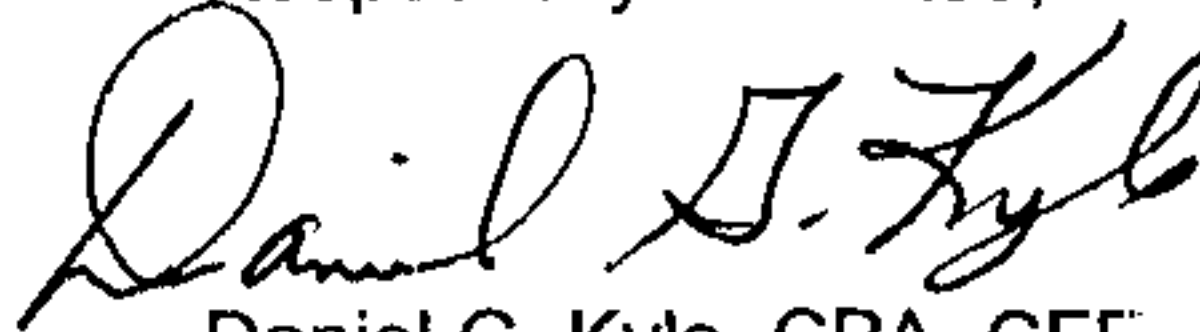
In planning and performing our audit, we considered the Court of Appeal, Fourth Circuit's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the court's internal control over financial reporting and its operations that we consider to be material weaknesses.

LEGISLATIVE AUDITOR

COURT OF APPEAL, FOURTH CIRCUIT
STATE OF LOUISIANA
Compliance and Internal Control Report
November 27, 2000
Page 2

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with the first name "Daniel" being the most prominent part.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

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